

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 TRSE-00 FRB-01 AID-05 CIAE-00

COME-00 EB-07 INR-07 NSAE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /088 W

----- 051605

R 141358Z MAR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8676

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 04184

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING MARCH 13)

1. FINANCE MINISTER APEL IS SCHEDULED TO VISIT JAPAN MAY 3-7 AND, ACCORDING TO PRESS, WILL MEET WITH THE GOVERNOR OF THE BANK OF JAPAN AND FINANCE MINISTER OHIRA.

2. THE EAST GERMAN FOREIGN TRADE BANK HAS BORROWED \$50 MILLION FROM THE EURODOLLAR MARKET. THE LOAN, WHICH WILL HAVE A FIVE YEAR MATURITY, WAS RAISED BY AN INTERNATIONAL BANKING CONSORTIUM LEAD BY LOEB, RHOADES & CO.
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WEST GERMAN PARTICIPANTS INCLUDE THE LUXEMBOURG SUB-

SIDIARIES OF THE BANK FUER GEMEINWIRTSCHAFT AND COMMERZ-BANK, AND THE LONDON AND CONTINENTAL BANKERS, A DAUGHTER OF THE DEUTSCHE GENOSSENSCHAFTSKASSE.

3. A NUMBER OF ECONOMIC EXPERTS AMONG THE SPD BUNDESTAG DEPUTIES HAVE PROPOSED TO PARLIAMENT THAT PART OF THE BUNDESBANK'S FOREIGN EXCHANGE RESERVES BE INVESTED AS RAW MATERIAL STOCKPILES. SUCH USE OF THE CURRENCY RESERVES COULD AVOID AN ADDED BURDEN TO THE NATIONAL BUDGET OF DESIRABLE STOCKPILES AND WOULD BE A SENSIBLE USE OF THE SURPLUSES WHICH HAVE RESULTED FROM THE POSITIVE TRADE BALANCE. THE LIMITED PRESS REACTION WHICH THE PROPOSAL HAS ATTRACTED HAS BEEN NEGATIVE AND HAS TREATED THE CONTEMPLATED USE OF THE BUNDESBANK CURRENCY RESERVES AS UNREALISTIC.

4. FRG BALANCE OF PAYMENTS IN JANUARY (SUMMARY AIRGRAM FOLLOWS): THE NATION'S BALANCE OF PAYMENTS FOR JANUARY WAS IN SURPLUS BY DM 1.64 BILLION, COMPARED WITH A DEFICIT OF DM 2.54 BILLION IN JANUARY 1974. THE PRINCIPAL REASON FOR THIS DEVELOPMENT, ACCORDING TO THE BUNDESBANK, WAS THE SWING IN SHORT-TERM CAPITAL FLOWS: JANUARY 1975, INFLOW OF DM 581 MILLION; JANUARY 1974, OUTFLOW OF DM 6.2 BILLION. LONG-TERM CAPITAL OUTFLOWS, AT DM 981 MILLION, MORE THAN DOUBLED THE DM 411 MILLION RECORDED FOR JANUARY 1974. THE TRADE SURPLUS, AT DM 3.6 BILLION, WAS EQUAL TO THAT OF JANUARY 1974. DEFICITS IN SERVICE TRANSACTIONS OF DM 332 MILLION AND IN TRANSFER PAYMENTS OF DM 1.35 BILLION RESULTED IN A DM 1.92 CURRENT ACCOUNT SURPLUS.

5. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

FORWARD DOLLARS
(DISCOUNTS IN PCT.P.A.)

MARCH 7 DM 2.3190 -1.3 -1.5
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10	2.3330	-1.0	-1.2
11	2.3160	-1.0	-1.3
12	2.3095	-0.5	-1.1
13	2.3240	-1.0	-1.2

WITH THE EXCEPTION OF THE DANISH CROWN ON MARCH 7 AND 10, ALL CURRENCIES IN THE JOINT FLOAT WERE ABOVE THEIR DM CENTRAL RATES. NONE OF THE CURRENCIES REACHED THEIR

UPPER DM INTERVENTION RATES.

6. MONEY MARKET: DURING THE REPORTING WEEK FRANKFURT
INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

MARCH 7	5.4-5.7	5.3-5.7	5.5-6.0
10	5.3-5.6	5.3-5.5	5.5-5.8

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R 141358Z MAR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8677

INFO AMEMBASSY BERN

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AMCONSUL FRANKFURT

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11	5.5-5.8	5.4-5.6	5.6-5.8
12	5.5-5.7	5.4-5.6	5.6-5.8

13 5.0-5.2 5.2-5.5 5.5-5.7

7. MONETARY RESERVES: IN THE FOURTH WEEK OF FEBRUARY (FEB 24-28) BUNDESBANK MONETARY RESERVES INCREASED BY DM 0.8 BILLION TO DM 85.3 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 495 MILLION AND GERMANY'S IMF GOLD TRANCHE POSITION BY DM 21 MILLION. GROSS LIABILITIES FELL BY DM 282 MILLION. IN THE FIRST WEEK OF MARCH (MARCH 1-7) BUNDESBANK MONETARY RESERVES INCREASED BY DM 0.9 BILLION TO DM 86.2 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 1.8 BILLION
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AND GERMANY'S IMF GOLD TRANCHE POSITION BY DM 221 MILLION WHILE "OTHER ASSETS" FELL BY DM 1.1 BILLION AND GROSS LIABILITIES BY DM 41 MILLION.

8. BANK LIQUIDITY: DURING THE FINAL WEEK OF FEBRUARY BANK LIQUIDITY FELL BY DM 1.6 BILLION DUE LARGELY TO THE INCREASE IN HOLDINGS OF RESERVES AT THE BUNDESBANK (DM 4.3 BILLION) AND THE DM 4.2 BILLION GROWTH IN CURRENCY IN CIRCULATION. THESE FACTORS WERE PARTIALLY OFFSET BY THE ABOVE-MENTIONED INCREASE IN MONETARY RESERVES, THE DM 5.8 BILLION DECREASE IN OFFICIAL ASSETS HELD AT THE BUNDESBANK AND OTHER FACTORS, NET, WHICH INCREASED LIQUIDITY BY DM 0.3 BILLION. DURING THE FOURTH WEEK OF FEBRUARY BANKS INCREASED LOMBARD BORROWINGS BY DM 2.9 BILLION AND REDUCED REDISCOUNT BORROWINGS BY DM 1.6 BILLION. IN THE FIRST WEEK OF MARCH BANK LIQUIDITY DECLINED BY DM 0.6 BILLION. THE PRINCIPAL FACTOR REDUCING LIQUIDITY WAS AN INCREASE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK (DM 3.6 BILLION). OTHER FACTORS, NET, REDUCED LIQUIDITY BY DM 0.4 BILLION. FACTORS INCREASING LIQUIDITY WERE A DECLINE (DM 1.6 BILLION) IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK, A DECREASE IN CURRENCY IN CIRCULATION (DM 0.9 BILLION) AND THE ABOVE-MENTIONED INCREASE IN MONETARY RESERVES. THE BANKS FINANCED THE LIQUIDITY LOSS BY INCREASING REDISCOUNT BORROWINGS AT THE BUNDESBANK BY DM 1.9 BILLION WHILE AT THE SAME TIME REDUCING LOMBARD BORROWINGS BY DM 2.9 BILLION AND HOLDINGS OF BUNDESBANK MONEY MARKET PAPER BY DM 1.6 BILLION.

9. BOND MARKET: DURING THE REPORTING WEEK THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

MARCH 7	9.11	9.05	8.72
10	9.11	9.05	8.72
11	9.10	9.04	8.74
12	9.11	9.06	8.73

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13	9.07	9.07	8.74
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ON MARCH 18 THE STATE OF BAVARIA WILL ISSUE A DM 400 MILLION LOAN WITH THE FOLLOWING CONDITIONS: COUPON 8.50 PERCENT; ISSUE PRICE 98.50 PERCENT; MATURITY 8 YEARS; YIELD TO MATURITY 8.77 PERCENT. A DM 100 MILLION LOAN ISSUED BY AN INTERNATIONAL BANKING CONSORTIUM LED BY THE WESTDEUTSCHE LANDESBANK FOR THE CAISSE NATIONALE DES TELECOMMUNICATIONS, PARIS WILL HAVE THE FOLLOWING CONDITIONS: COUPON 8.75 PERCENT; ISSUE PRICE 100 PERCENT; MATURITY 7 YEARS. THE LOAN WILL BE GUARANTEED BY THE FRENCH GOVERNMENT. HILLENBRAND

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